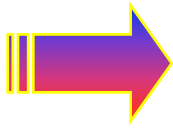




FY 2005 President's Budget Overview

***RADM B.B. Engelhardt
Director, Office of Budget
Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)***

2 February 2004



◆ Overview

- Naval Power 21
- Resource Trends
- FY05 Budget Changes
- Balanced Scorecard

◆ Combat Capability

◆ People

◆ Technology Insertion & Investment

◆ Improved Business Practices & Infrastructure

◆ Summary

Naval Power 21...The Naval Vision

DON Program and Budget Brief



Assure Access - Sea Based



Fight and Win – Persistent and Decisive



Transform to Improve – Joint, Netted

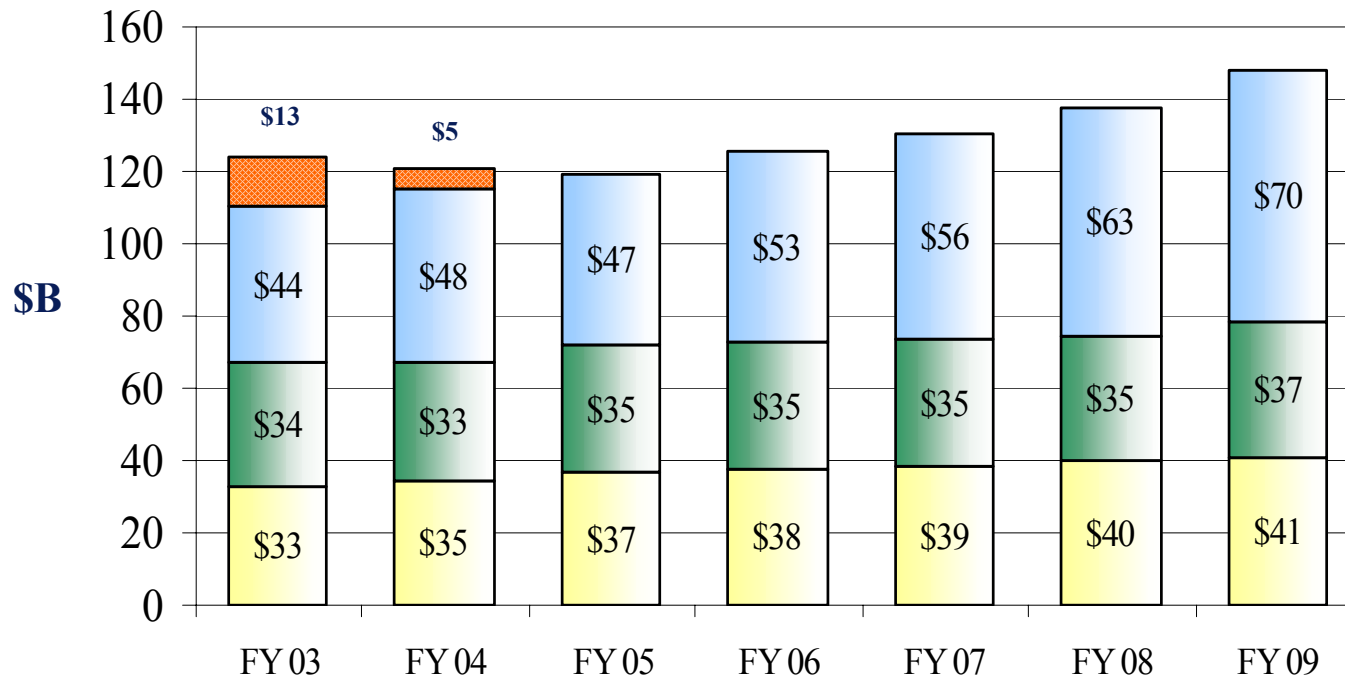


FY 2005 Budget Supports the Naval Vision

FY 2005 Budget

DON Program and Budget Brief

<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
\$123.9	\$120.8	\$119.4	\$125.5	\$130.2	\$137.5	\$148.2



MILPERS
 O&M
 Investment
 Contingency Ops

Executing Naval Power 21

FY 2005 Budget Changes

DON Program and Budget Brief

FY04 Current Estimate (w/o CONOPS) to FY 05 President's Budget

MILPERS + \$2.1B

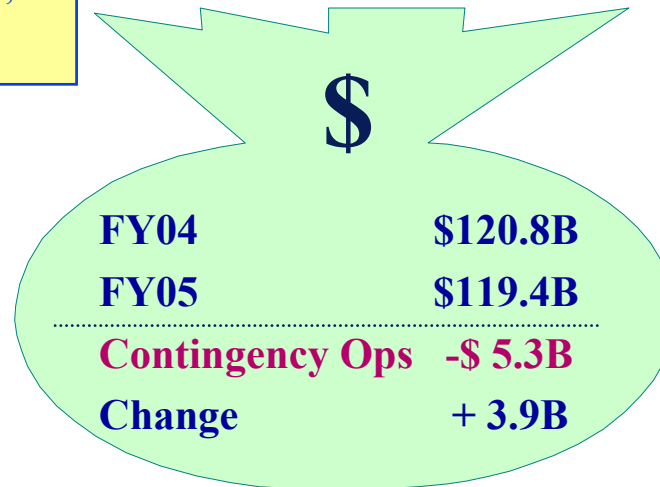
- ◆ Pay Raise +\$593M
- ◆ Retired Health Care Accrual +\$553M
- ◆ BAH/BAS +\$436M
- ◆ Retired Pay Accrual +\$230M
- ◆ PCS +\$151M
- ◆ Strength/Mix change +\$122M

Navy E/S 373,800 to 365,900;
Marine Corps 175,000

O&M + \$2.4B

- ◆ Ship Depot Maint +\$584M
- ◆ Ship Operations +\$217M
- ◆ Flying Hours + \$24M
- ◆ Air Depot Maintenance +\$71M
- ◆ Combat Support Forces +\$83M
- ◆ Ship Act/Inact/Prepo +\$78M
- ◆ BOS +\$243M
- ◆ MC Ops Support +\$130M
- ◆ Administration +\$30M

Combat Readiness Surge Capable



Procurement - \$1.5B

- ◆ -2 SSN Refueling
- ◆ +1 Aircraft
- +2 MH-60S +1 T-48
- +2 MH-60R +4 KC-130J
- 1 MV-22 -2 JPATS
- 6 T-45 -4 UC-35

Transformation Gear Shift

R&D + \$1.4B

- ◆ +1 DDX +\$380M
- ◆ +1 LCS +\$186M
- ◆ + 5 VXX +\$582M
- ◆ EA-18G +\$143M
- ◆ JSF +\$105M
- ◆ MMA +\$425M
- ◆ Adv Hawkeye +\$254M
- ◆ S&T -\$499M

MILCON - \$.5B

- ◆ MILCON -\$244M
- ◆ Family Housing -\$33M
- ◆ Family Housing Ops -\$133M

FH → PPV/BAH

Combat Capability

- ◆ Execute Global War on Terrorism
- ◆ Execute Fleet Response Plan
- ◆ Maintain forward seabasing

People

- ◆ Shape the 21st century workforce
- ◆ Improve training & development
- ◆ Streamline & align manpower

Technology Insertion

- ◆ Accelerate investment to recapitalize
- ◆ Emphasize system survivability
- ◆ Sustain robust and balanced R&D effort

Improved Business Practices

- ◆ Improve productivity
- ◆ Support BRAC process
- ◆ Achieve facility support goals

Remain Ready While Developing Future Capabilities

Navy

- ◆ 90 ships deployed (31% of total)
 - 154 ships underway (52% of total)
- ◆ 1,918 activated reserves
- ◆ Active end strength 379,337



**Navy-Marine Corps Team
forward-deployed and ready**

Marine Corps

- ◆ First Marine Expeditionary Force (I MEF) deploying
- ◆ III MEF forward deployed WESTPAC
- ◆ Second Marine Expeditionary Unit forward deployed
- ◆ 6,790 activated reserves
- ◆ Active end strength 176,405



Ship Force Structure

DON Program and Budget Brief

	FY03	FY04	FY05	FY04 to FY 05
Aircraft Carriers	12	12	12	0
Fleet Ballistic Missile Submarines	16	14	14	0
Guided Missile (SSGN) Submarines	2	4	4	0
Surface Combatants	106	103	100	-3
Nuclear Attack Submarines	54	54	55	1
Amphibious Warfare Ships	36	35	36	1
Combat Logistics Ships	34	34	33	-1
Mine Warfare Ships	17	17	17	0
Support Ships	19	19	19	0
	296	292	290	-2

FY 2006	FY 2007	FY 2008	FY 2009
290	298	303	309

**Transitioning to a
More Capable Force**

Deliveries and Inactivations in FY 2005:

- ◆+3 Arleigh Burke Destroyers
- ◆+2 San Antonio Class Amphibious Transport Docks
- ◆+1 Virginia Class Fast Attack Submarine
- ◆+1 Seawolf Class Submarine
- ◆+1 T-AKE MSC Support Ships
- ◆+1 T-AO Fleet Oiler
- ◆-4 Spruance Class Destroyers
- ◆-3 Underway Replenishment Ships
- ◆-2 Ticonderoga Class Cruisers
- ◆-1 Los Angeles Fast Attack Submarine
- ◆-1 Amphibious Transport Dock



Aircraft Force Structure

DON Program and Budget Brief

	FY03	FY04	FY05	FY 04 to FY 05
Primary Authorized Aircraft (Active)	2,496	2,441	2,397	-44
Primary Authorized Aircraft (Reserve)	408	397	382	-15
	2,904	2,838	2,779	-59

FY 2006	FY 2007	FY 2008	FY 2009
2,719	2,651	2,620	2,637

**Transitioning to a
More Capable
Force**

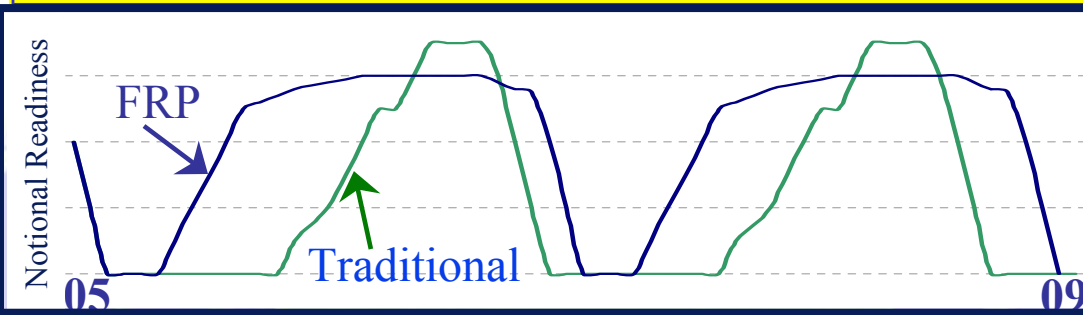
Deliveries/Stand-downs in FY 2005:

- +51 FA 18 E/F
- +14 MH60 R/S
- +11 MV22A
- +6 KC130J
- +2 UC35D
- +1 AH-1Z
- +1 UH-1Y
- +1 HH-60H
- +1 C-40
- 59 FA-18 A/C/D
- 23 F-14
- 13 S-3
- 13 H-46
- 12 C-12
- 8 KC-130F
- 6 H-53
- 4 P-3C
- 3 UH-3H
- 2 EA-6B
- 2 HH-1N
- 1 SH-60B
- 1 E-2C



Fleet Response Plan

DON Program and Budget Brief



- ◆ Deliver 6 forward deployed or ready to surge
- ◆ Sustainable readiness cycle
 - Focus on ships readiness for surge vs. just scheduled deployments
- ◆ 50% more combat power available

Deployable Surge/ Employable

Emergency Employable

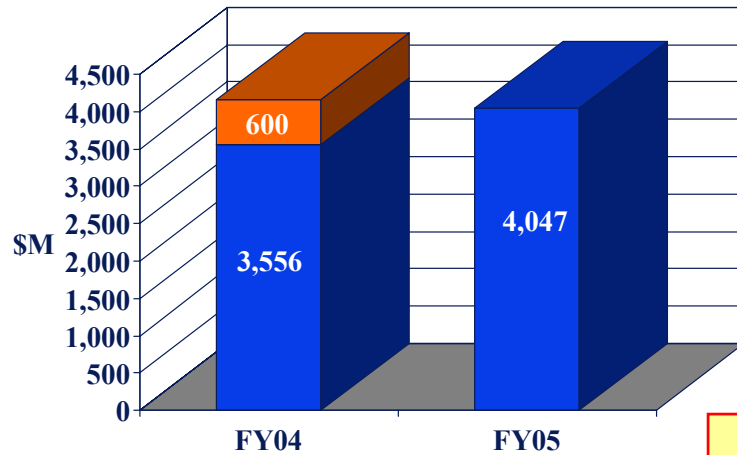
Maintenance

New Paradigm: Constant Surge Plan (6+2)

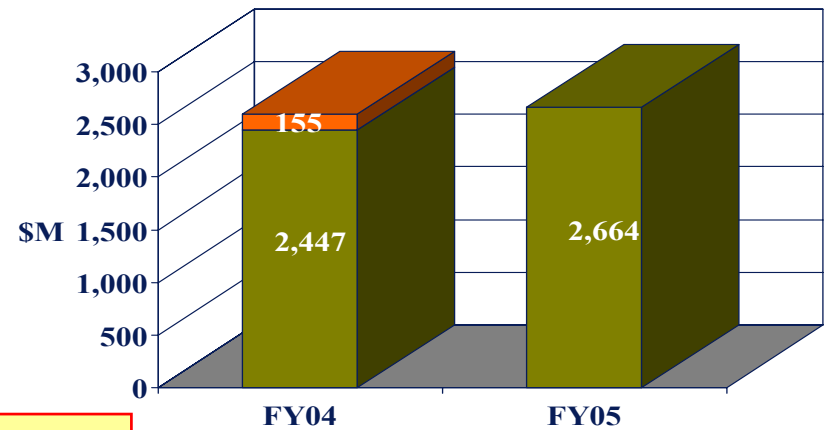
Key Readiness Areas

DON Program and Budget Brief

Ship Depot Maintenance

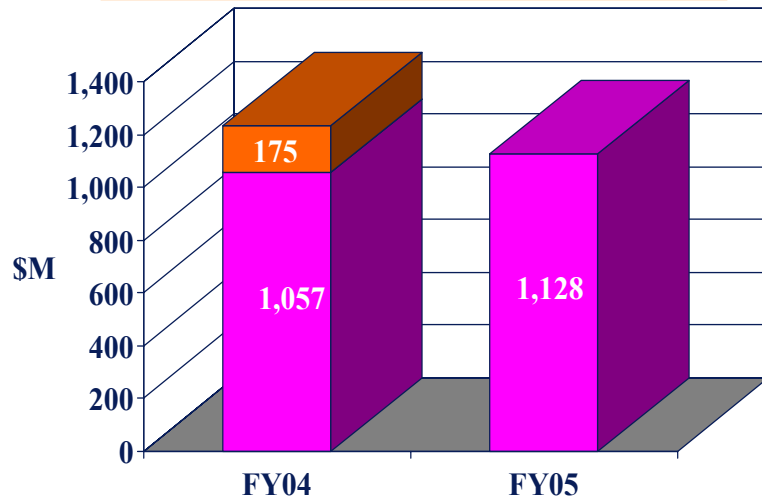


Ship Operations

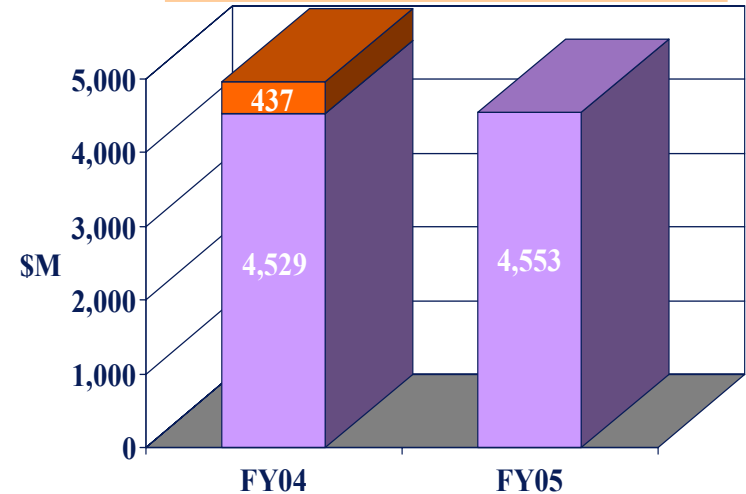


**Increase Consistent
with Fleet Response
Plan**

Aircraft Depot Maintenance

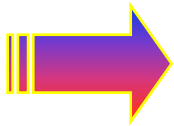


Flying Hour Operations



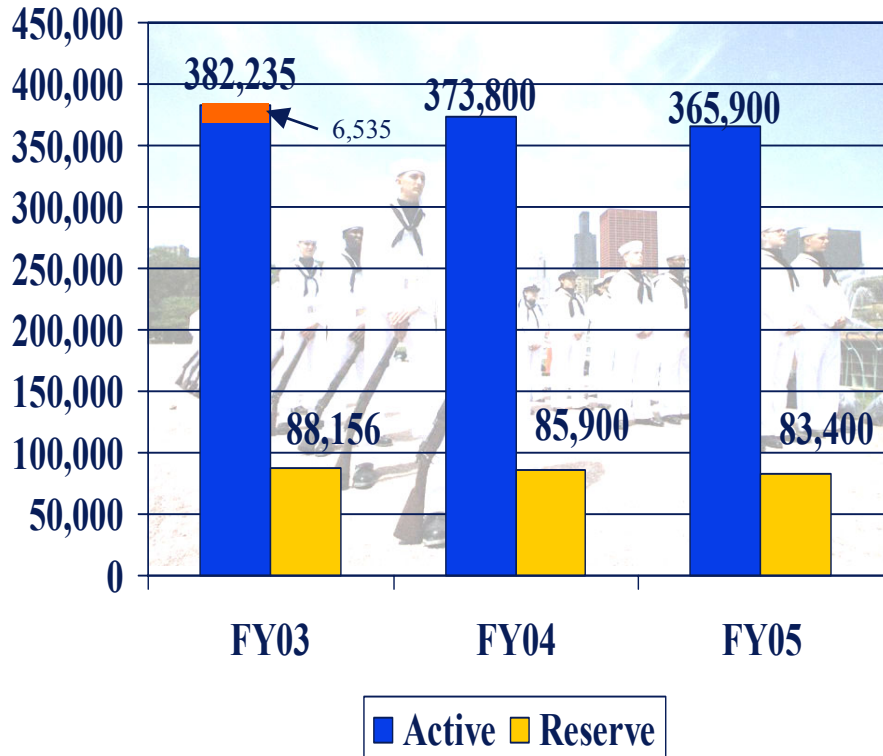
Reflects Supplemental Funds

- ◆ Overview
- ◆ Combat Capability
- ◆ People
 - Military Personnel
 - Civilian Employees
- ◆ Technology Insertion & Investment
- ◆ Improved Business Practices & Infrastructure
- ◆ Summary



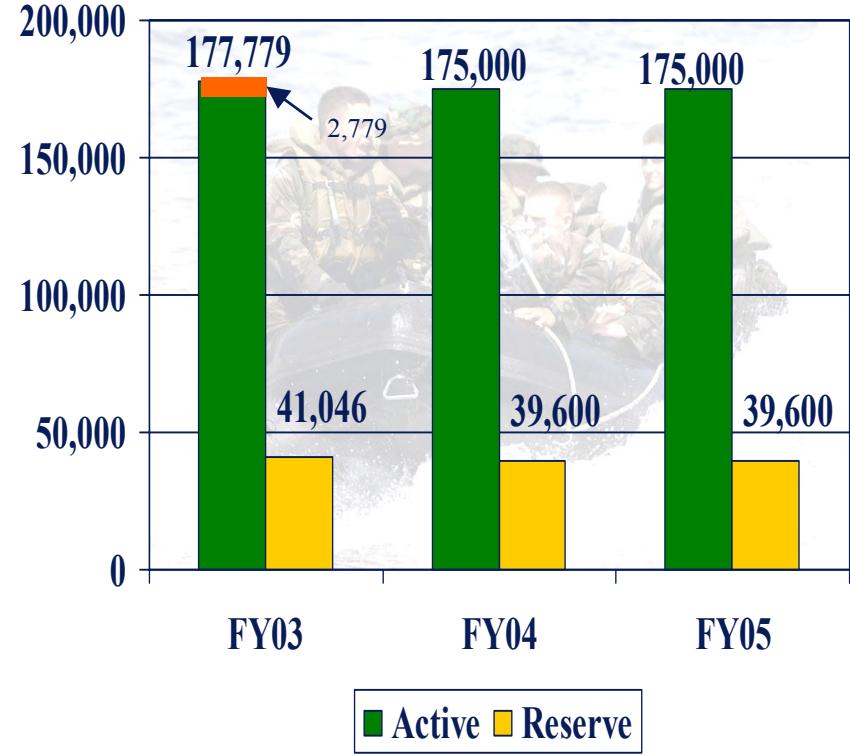
Navy

E/S



Marine Corps

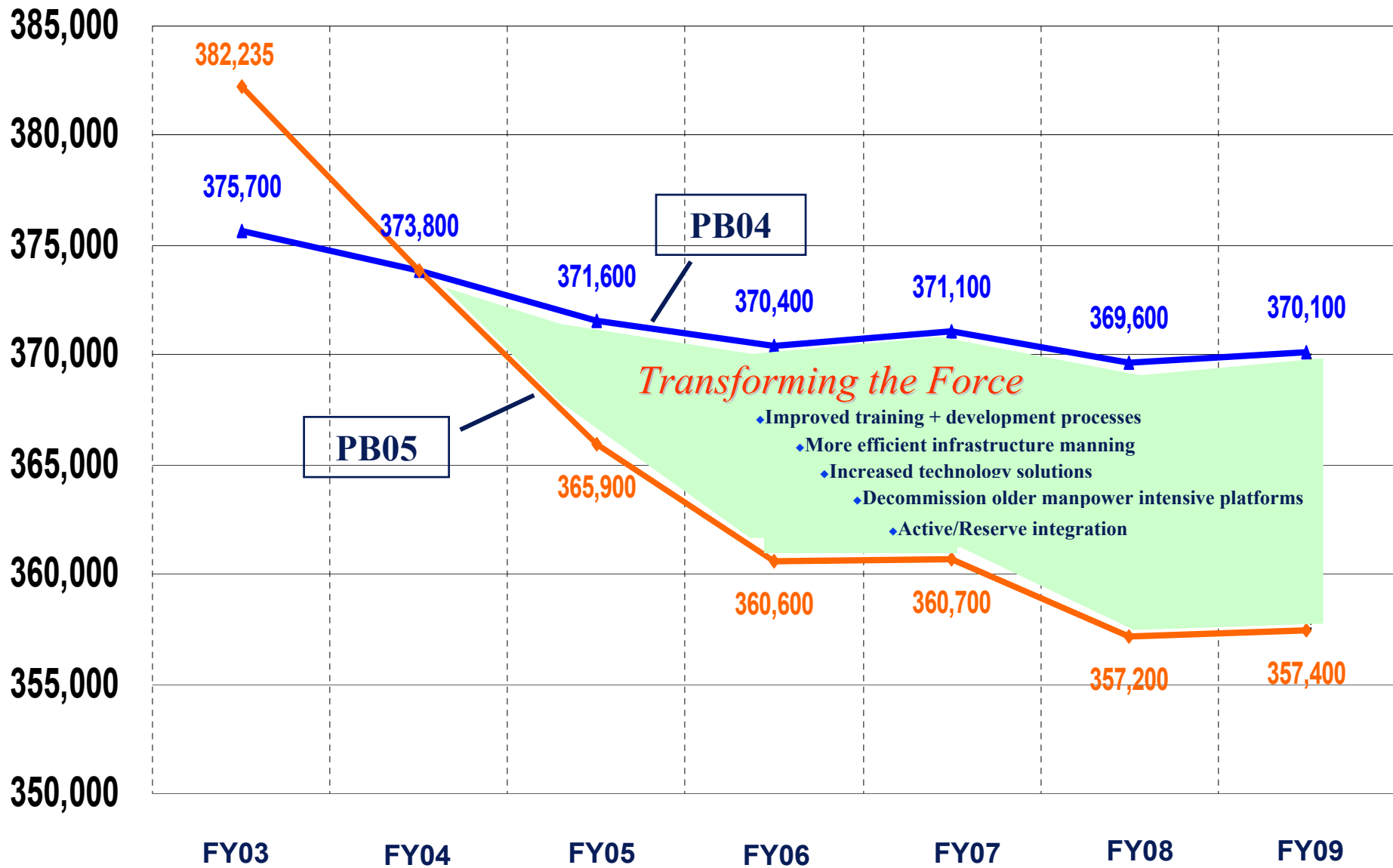
E/S



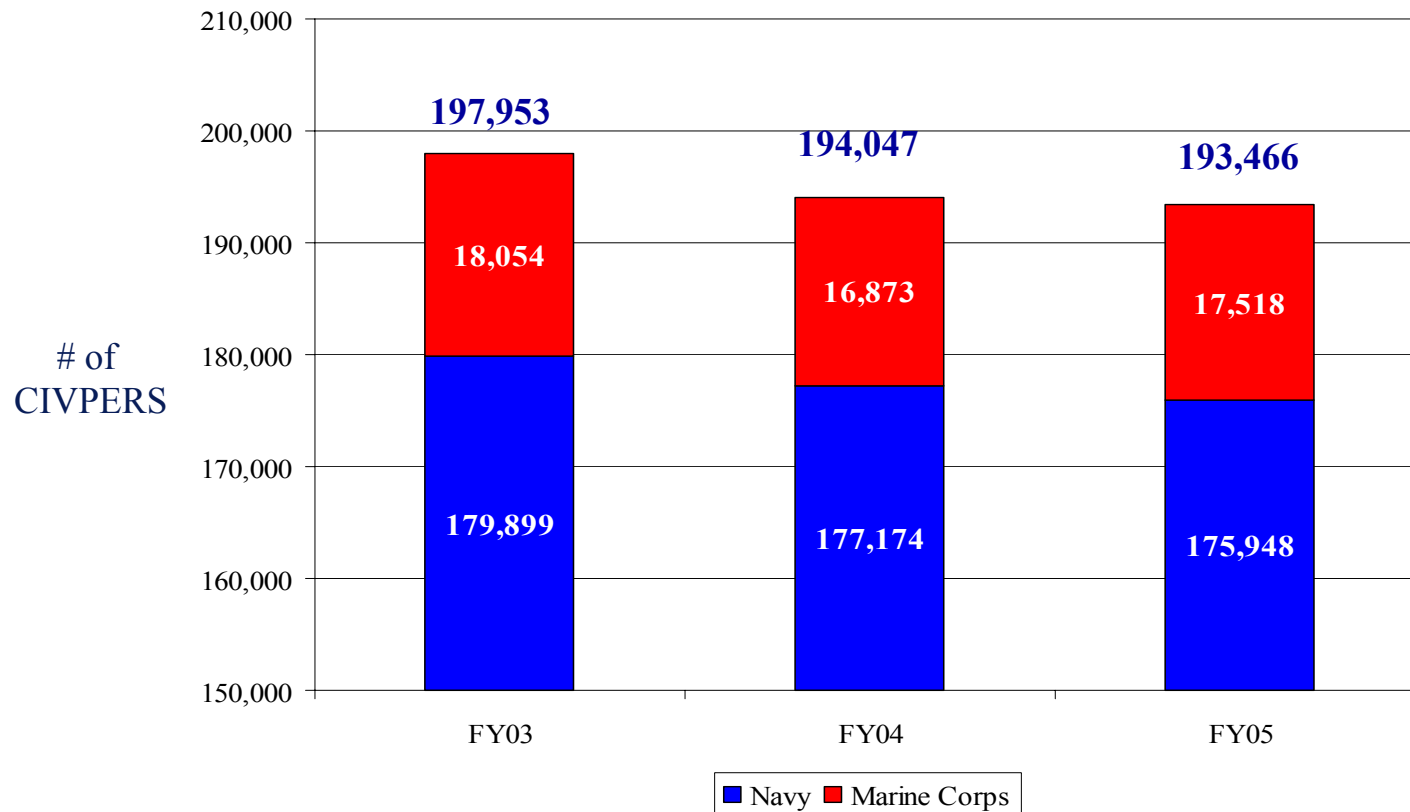
- ◆ Proper sizing of force
- ◆ Military to civilian conversions
- ◆ Record retention and effective recruiting
- ◆ Training transformation
- ◆ BAH out of pocket expense elimination
- ◆ 3.5% basic pay raise

Navy Military Personnel

DON Program and Budget Brief

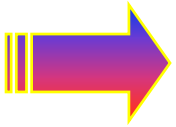


Properly Priced and Sized for the Future



- ◆ Continue Shaping Overall Civilian Personnel Work Force
 - Navy Decreases Primarily Results from Strategic Sourcing Initiatives
 - Marine Corps Increase Attributable to Military to Civilian Conversions

- ◆ Overview
- ◆ Combat Capability
- ◆ People
- ◆ Technology Insertion & Investment
 - Shipbuilding
 - Aircraft Procurement
 - Munitions
 - Research and Development
 - Platform Specifics
- ◆ Improved Business Practices & Infrastructure
- ◆ Summary



	FY04		FY05						
	PB04	Current	PB04	PB05	FY06	FY07	FY08	FY09	FYDP
CVN-21	-	-	-	-	-	1	-	-	1
SSN-774	1	1	1	1	1	1	1	2	6
DDG-51	3	3	3	3	-	-	-	-	3
DDX	-	-	1	1	-	2	2	3	8
LPD-17	1	1	-	1	1	1	1	1	5
LHA (R)	-	-	-	-	-	-	1	-	1
LCS	-	-	1	1	1 + 1	1	3	6	13
T-AKE (NDSF)	2	2	2	2	2	1	-	-	5
T-AOE(X) (NDSF)	-	-	-	-	-	-	-	2	2
MPF(Future) (NDSF)	-	-	-	-	-	1	-	2	3
MPF(Aviation) (NDSF)	-	-	-	-	-	-	-	1	1
Total New Construction	7	7	8	9	6	8	8	17	48
CVN RCOH	-	-	1	-	1	-	-	-	1
SSN Refueling	-	2	1	-	-	3	1	-	4
SSBN Refueling	-	-	-	1	1	1	1	1	5
SSGN Conversion	1	1	1	1	-	-	-	-	1

Color Legend: **Funded in RDTEN**

Transformational

Aircraft Procurement

DON Program and Budget Brief

	FY04		FY05						
	PB04	Current	PB04	PB05	FY06	FY07	FY08	FY09	FYDP
JSF	-	-	-	-	-	2	16	40	58
F/A-18E/F	42	42	42	42	38	30	24	20	154
EA-18G	-	-	-	-	4	12	18	22	56
MV-22	9	9	8	8	15	29	30	33	115
UH-1Y/AH-1Z	9	9	7	9	12	19	21	21	82
CH-53E	-	-	-	-	-	-	3	5	8
MH-60S	13	13	15	15	26	30	30	40	141
MH-60R	6	6	10	8	15	21	31	31	106
VXX	-	-	-	5	-	3	4	-	12
E-2C	2	2	2	2	2	2	4	4	14
UC-35	2	4	-	-	-	-	-	-	0
C-40	1	1	1	1	3	3	-	-	7
C-37	-	1	1	1	-	-	-	2	3
T-48	1	-	2	1	3	3	7	-	14
T-45	15	14	8	8	5	-	-	-	13
JPATS	-	2	-	-	-	24	48	48	120
KC-130J	-	-	4	4	4	4	4	5	21
BAMS UAV	-	-	-	-	-	2	4	4	10
ACS	-	-	-	-	-	-	2	2	4
MMA	-	-	-	-	-	-	-	8	8
TOTAL	100	103	100	104	127	184	246	285	946

Color Legend: **Funded In RDTEN** Transformational

Precision Munitions

DON Program and Budget Brief

	FY04	FY05	FY06	FY07	FY08	FY09	FYDP
TACTOM	350	293	419	434	485	424	2,055
JSOW	328	389	412	380	422	444	2,047
JDAM	12,326	6,620	4,250	3,430	2,850	4,380	21,530
LGBs	8,007	5,536	3,228	3,150	2,298	672	14,884
JASSM	-	-	-	-	28	106	134
Common Missile	-	-	-	-	22	88	110

Continued Focus on Jointness and Precision



Key Ground Equipment

DON Program and Budget Brief

	FY04	FY05	FY06	FY07	FY08	FY09	FYDP
EFV	-	-	18	24	54	90	186
HIMARS	1	1	15	19	-	-	35
Joint LW 155	60	97	93	33	-	-	223
Unit Ops Ctr	31	34	41	95	89	133	392
HMMWV	1,839	1,830	1,947	1,827	1,774	486	7,864
ABV	-	2	13	15	-	-	30

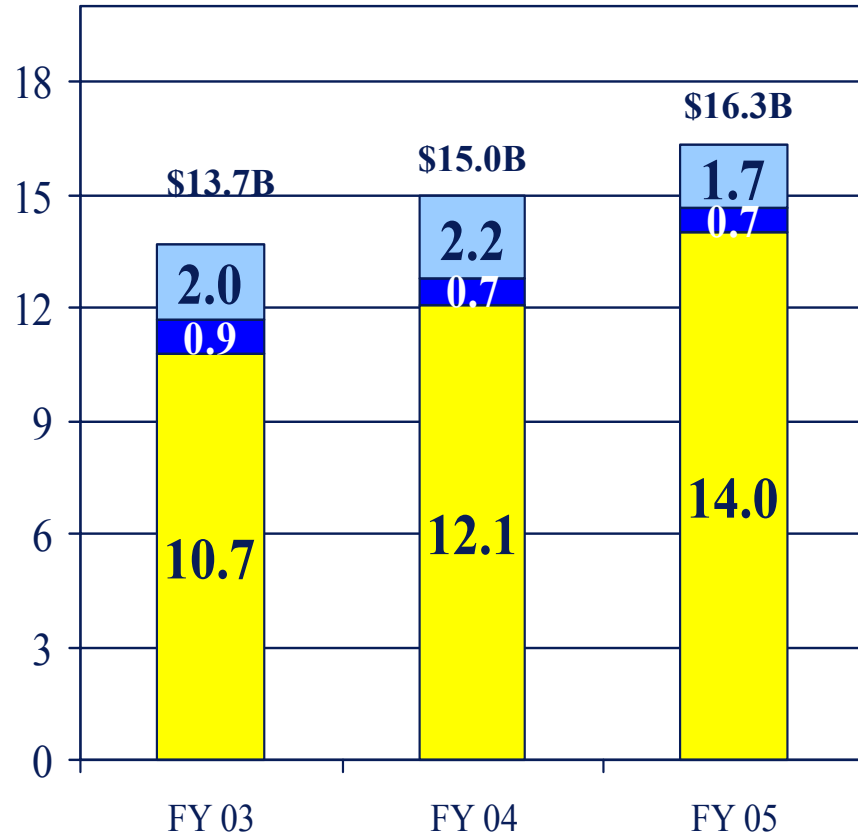
USMC Transformation for the 21st Century



Major R&D Programs

DON Program and Budget Brief

\$B



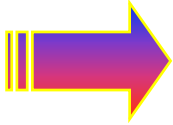
Major Platform Efforts: (\$M)

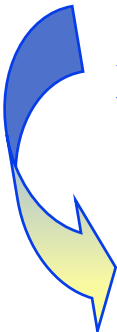
	FY 03	FY 04	FY 05
Joint Strike Fighter	1,662	2,159	2,265
DD(X)	668	1,052	1,432
C4I	563	753	1,020
VXX	27	195	777
Advanced Hawkeye	172	343	597
MMA	66	71	496
EA-18G	18	215	358
CVN-21	362	335	353
LCS	35	166	352
V-22	387	402	304
EFV	263	238	237
Unmanned Aerial Vehicles (UAV)	256	188	173
Virginia Class SSN	235	145	143
F/A-18	193	173	135
LHA(R)	39	64	44
Deployable Joint Command and Control (DJC2)	32	64	42

Development Management Science and Technology

FY05 - Transition Year for Transformation

- ◆ Overview
- ◆ Combat Capability
- ◆ People
- ◆ Technology Insertion & Investment
- ◆ Improved Business Practices & Infrastructure
- ◆ Summary



- 
- Complying with President's Management Agenda have yielded efforts to streamline, operate more efficiently, improve processes and reduce overhead have produced savings of **over \$45 billion** across the defense program through FY 2009 since the FY 2002 President's Budget

- ✓ **Optimized, supportable future force structure**
e.g., Accelerates decommissionings of older platforms/systems
- ✓ **Stable, healthy industrial base**
e.g., Shipbuilding Multi Year/Economic Order Quantity procurements
- ✓ **Technologically enabled, interoperable enterprise**
e.g., Navy Marine Corps Intranet operating seamlessly with joint forces within Global Information Grid
- ✓ **Optimized workforce**
e.g., Workload validation to focus best blend of military, civilian, and private-sector support on core work requirements
- ✓ **Efficient and appropriately sized infrastructure**
e.g., BRAC/Efficient Facilities Initiative (EFI) complemented by Regionalization

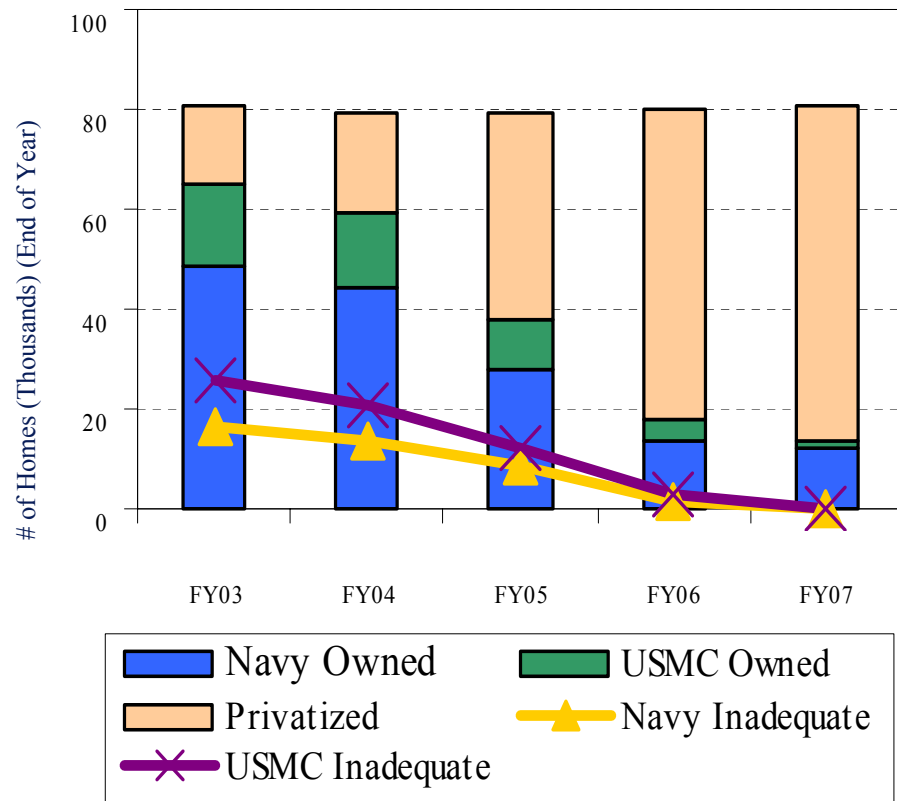
Culture of Continuous Process Improvement

Infrastructure/MCON/Family Housing

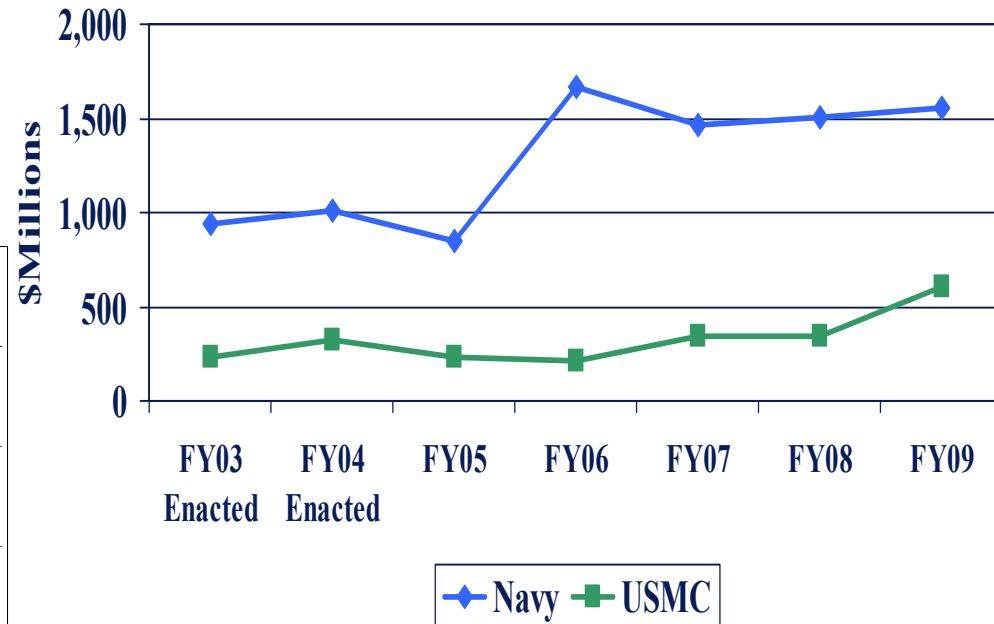
DON Program and Budget Brief

✓ Meets DoD goal of zero inadequate FH units by FY 2007 through 3 pronged approach – privatization, improved housing allowance, and construction

✓ Privatization a key element to improving housing



Military Construction



✓ Meets DoD goal of 67-year Facilities Recapitalization Rate by FY 2008

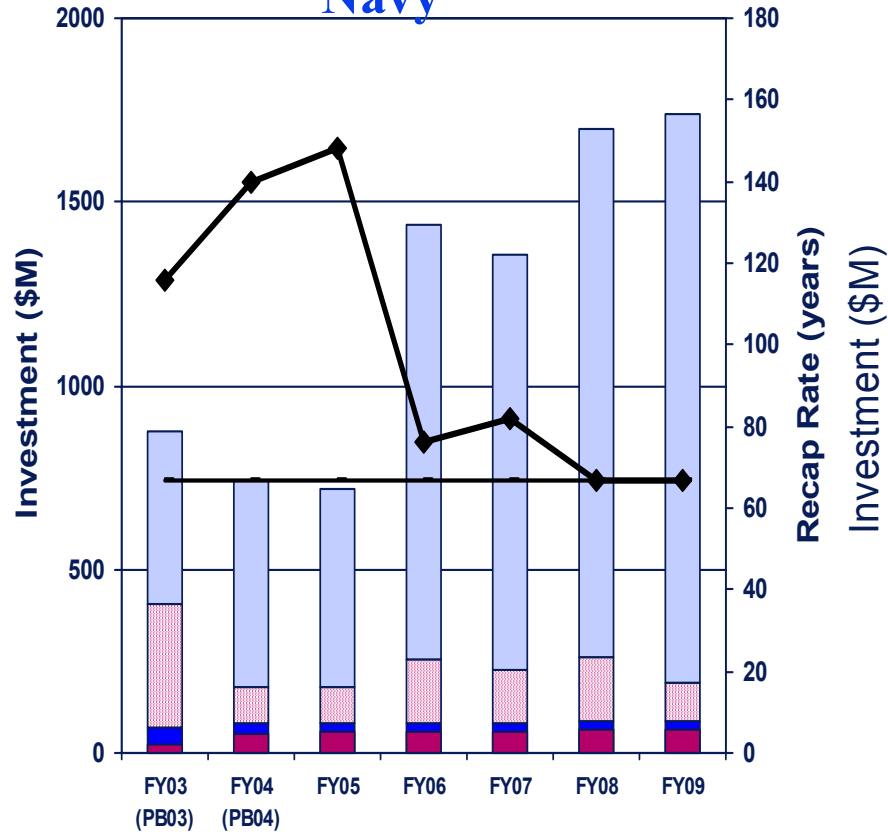
✓ Achieves CNO Homeport Ashore goal by FY 2008

✓ Eliminates inadequate barracks by FY 2007 (FY 2005 for Marine Corps)

Facilities Recapitalization

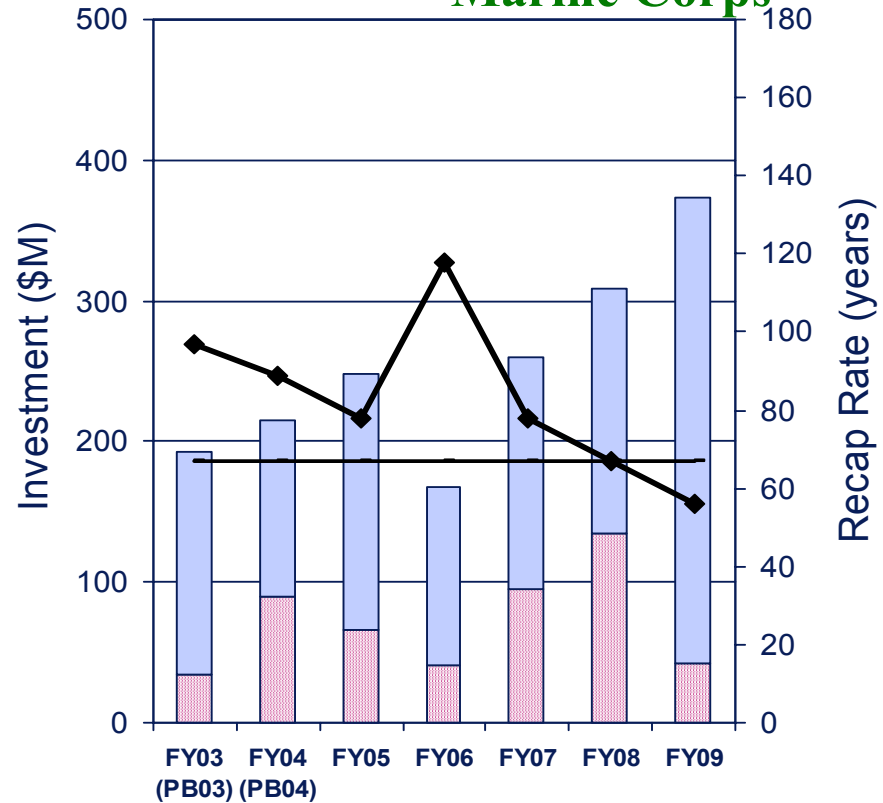
DON Program and Budget Brief

Navy



	FY03	FY04	FY05	FY06	FY07	FY08
Recap Rate	116	140	148	76	82	67

Marine Corps



	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Recap Rate	97	89	78	118	78	67	56

Goal: Achieve 67 Year Recap Rate by FY 2008

■ NWCF
 ■ SRM
 ■ MILCON
 ■ MILPERS
 ◆ PB-05 Recap Rate
 — 67 Yr Recap Rate Goal

- Provides sustainable combat ready force
- Supports people
- Invests in shipbuilding, aircraft procurement and transformational capabilities and technology
- Promotes better business practices

Positions Today's Navy and Marine Corps to Support Tomorrow's Joint Warfighting Environment